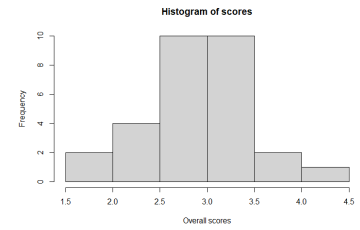
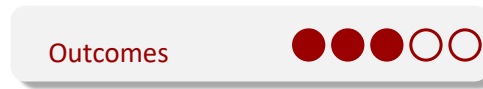
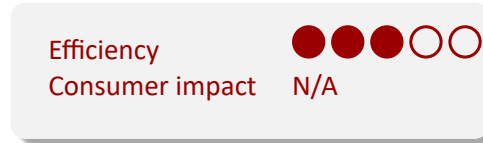
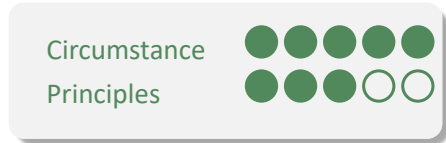


Summary



Status-detail



Current state

- Really good summary of network’s circumstances, drawing out pricing implications for different areas. Table 2 is excellent.
- The discussion of consistency with pricing principles would be improved if Alpine showed how its variable prices reflect the economic cost of network use.

Strategy

- Alpine’s strategy is to gradually raise its share of revenue from fixed charges. This section would be improved if Alpine clarified and explained its target state.
- There is no roadmap. However, approaches include smart meter roll-out, a cost allocation review, and considering pricing options for irrigation.

Outcome

- Alpine’s pricing structure is conventional but efficiency is improved by having high/low cost area tariffs and a reasonably high and rising proportion of revenue from fixed charges (when low fixed charge consumers are excluded).
- Alpine should show the basis for its variable prices and the relativities between them.

Key messages

- Excellent that Alpine starts by asking what economic signals need to be delivered.
- Methodology would be improved if Alpine provided evidence that its variable prices send the right economic signals. Revenue from efficient variable prices will then:
 - inform the optimal share of revenue to recover from non-distortionary (e.g. fixed) charges
 - give a basis to conclude prices are efficient.
- Alpine should develop and publish a pricing roadmap that explains the steps it is intending to take to implement its pricing strategy, and that regularly tracks and explains progress.

For scoring, see practice note and methodology at <https://www.ea.govt.nz/operations/distribution/pricing/>.

